

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

April 30, 2003



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Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

The enclosed report prepared by Kem, Duguid & Associates, PSC, Certified Public Accountants, presents the Hickman County Sheriff's Settlement - 2002 Taxes as of April 30, 2003.

We engaged Kem, Duguid & Associates, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kem, Duguid & Associates, PSC evaluated the Hickman County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

April 30, 2003

KEM, DUGUID & ASSOCIATES, PSC

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HICKMAN COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

April 30, 2003

Kem, Duguid & Associates, P.S.C. has completed the audit of the Sheriff's Settlement - 2002 Taxes for Hickman County Sheriff as of April 30, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$1,233,854 for the districts for 2002 taxes, retaining commissions of \$50,037 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,182,344 to the districts for 2002 Taxes.

Report Comment:

- The Sheriff Should Deposit Interest Earned On Tax Collections Monthly

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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KEM, DUGUID & ASSOCIATES, P.S.C.

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MICHAEL A. KEM

SANDRA D. DUGUID

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Independent Auditor's Report

We have audited the Hickman County Sheriff's Settlement - 2002 Taxes as of April 30, 2003. This tax settlement is the responsibility of the Hickman County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Hickman County Sheriff's taxes charged, credited, and paid as of April 30, 2003, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

MEMBERS:

American Institute of Certified Public Accountants

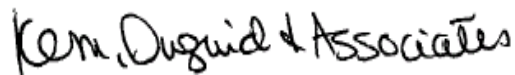
Kentucky Society of Certified Public Accountants

To the People of Kentucky
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Honorable J. W. Moran, Hickman County Sheriff
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Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Respectfully submitted,

A handwritten signature in black ink that reads "Kem, Duguid & Associates". The signature is written in a cursive, flowing style.

Kem, Duguid & Associates, PSC

Audit fieldwork completed -
January 8, 2004

HICKMAN COUNTY
J. W. MORAN, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

April 30, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 141,823	\$ 137,806	\$ 512,352	\$ 172,488
Tangible Personal Property	12,053	14,997	42,399	35,111
Intangible Personal Property				12,602
Fire Protection	590			
Franchise Corporation Taxes	37,193	36,130	132,101	
Clay Reserves	80	61	289	97
Penalties	1,217	1,206	4,384	1,563
Gross Chargeable to Sheriff	<u>\$ 192,956</u>	<u>\$ 190,200</u>	<u>\$ 691,525</u>	<u>\$ 221,861</u>
<u>Credits</u>				
Exonerations	\$ 482	\$ 538	\$ 1,741	\$ 586
Discounts	1,965	1,952	7,027	2,691
Delinquents:				
Real Estate	4,420	6,274	15,952	5,371
Tangible Personal Property	377	605	1,326	1,467
Intangible Personal Property				2,674
Uncollected Franchise	1,230	1,688	4,322	
Total Credits	<u>\$ 8,474</u>	<u>\$ 11,057</u>	<u>\$ 30,368</u>	<u>\$ 12,789</u>
Taxes Collected	\$ 184,482	\$ 179,143	\$ 661,157	\$ 209,072
Less: Commissions *	8,128	6,289	26,447	9,173
Taxes Due	\$ 176,354	\$ 172,854	\$ 634,710	\$ 199,899
Taxes Paid	176,133	172,684	633,906	199,621
Refunds (Current and Prior Year)	221	170	804	278
Due Districts				
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Commissions:

10% on \$ 10,000
4.25% on \$ 521,936
4% on \$ 661,157
1% on \$ 40,761

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS

April 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 30, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
April 30, 2003
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2002 through April 30, 2003.

Note 4. Interest Income

The Hickman County Sheriff earned \$770 as interest income on 2002 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Hickman County Sheriff collected \$6,589 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

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COMMENT AND RECOMMENDATION

HICKMAN COUNTY
J. W. MORAN, SHERIFF
COMMENT AND RECOMMENDATION

April 30, 2003

The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly "...that part of investment earnings for the month which is attributable to the investment of school taxes." The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff's fee account. During 2002 tax collections, Sheriff Moran earned interest of \$770 on his tax account. However, Sheriff Moran did not pay the interest to the board of education or the fee account on a monthly basis. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the school and fee account on a monthly basis.

Sheriff's Response:

We are a small county and there are months when we have a small collection which results in small interest amounts. We write out the interest at the end of the tax season.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hickman County Sheriff's Settlement - 2002 Taxes as of April 30, 2003, and have issued our report thereon dated January 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's Settlement - 2002 Taxes as of April 30, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is reported in the comment and recommendation section.

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

MEMBERS:

American Institute of Certified Public Accountants

Kentucky Society of Certified Public Accountants

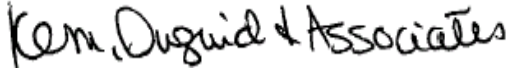
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,


Kem, Duguid & Associates, PSC

Audit fieldwork completed -
January 8, 2004

